

A Comparison:

**Direct & Foreign
Commercial Military
Sales**



FMS or DCS

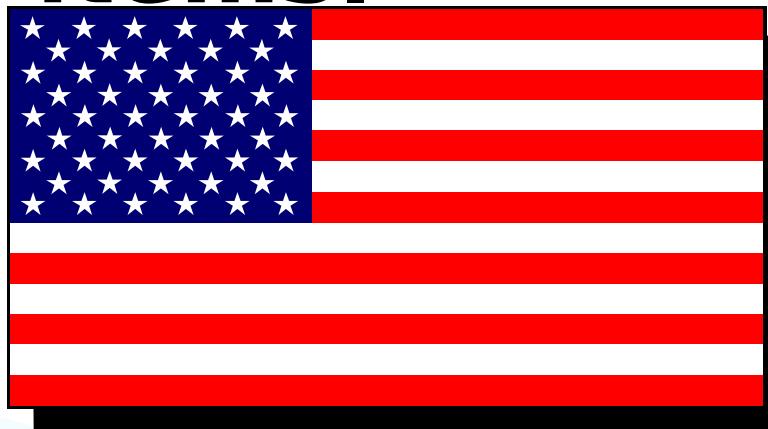
Which is better?



Acquisition Preference

SAMM C4.5.8

DoD prefers that countries friendly to the US fill defense requirements with US origin items.



Foreign Purchaser's Option

The purchaser has the option to buy through DCS or FMS channels - SAMM C2.5.7.1.5

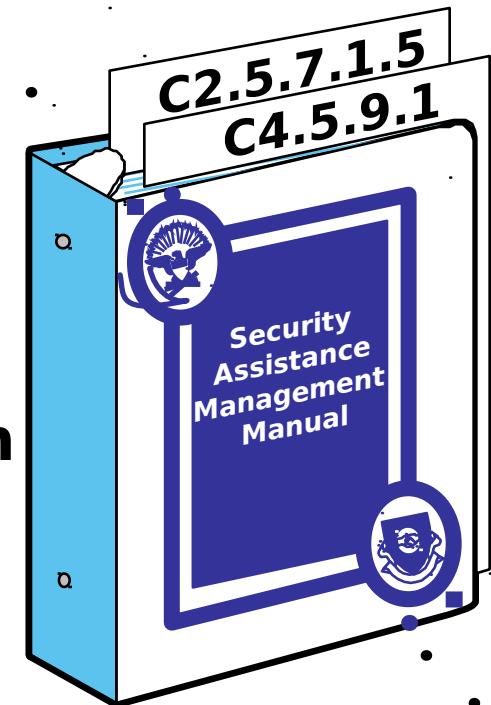
DCS?



**Foreign
Purchaser**

DoD View

DoD is generally neutral whether a foreign country purchases through FMS or DCS.
SAMM C4.5.9.1



FMS-Only Designation

SAMM C4.5.9

- DSCA/State Department can require “FMS-Only” sales
- Evaluation Criteria
 - Relationship with purchaser
 - Interoperability with US
 - Complex system or technologies
 - Sensitive data access



FMS-Only Designation

Historical examples

- **Man Portable Air Defense (MANPAD) missiles**
- **Global Positioning System - Precise Positioning Service (GPS/PPS)**
- **Airborne Early Warning & Control (AEW&C) Systems**
- **Certain Cryptographic Items**



DCS Preference Designation

SAMM C4.5.10

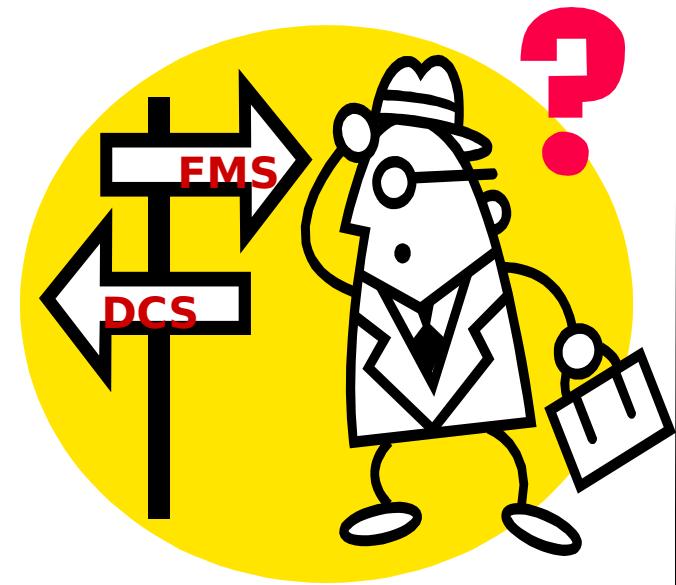
- Companies may request DCS preference
- Approved requests valid for 1 year
 - “Best effort” to comply
 - Implementing agency may decline LORs
- Exclusions:
 - Blanket order LOAs
 - Support items for system sale



What about both FMS & DCS?

- System sale total package may be **separated** into a **DCS portion** and a **FMS portion** - SAMM C4.5.9.2.4
- Common support should be provided even though the end items were **acquired commercially**

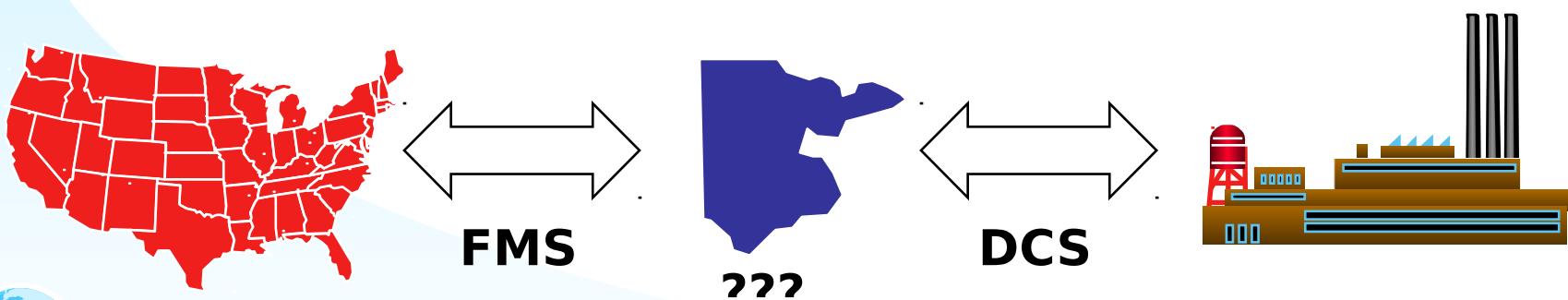
SAMM C4.3.3



Concurrent Negotiations

SAMM C4.5.11

- Military services will not normally engage in FMS/DCS comparison studies
- Can be done in certain circumstances
 - Countries national policy requirement
 - DSCA approves policy exception for special circumstances



LOA Withdrawal

SAMM C4.5.11.1

- LOA provided then country solicits DCS bids
 - Implementing Agency should ask country its procurement intentions
 - LOA may be withdrawn



Eligible for FMFP Funded DCS

SAMM C9.7.4.1.1

Egypt

Greece

Israel

Jordan

Morocco

Pakistan

Portugal

Tunisia

Turkey

Yemen

http://www.dsca.mil/DSCA_memoranda/fmf_dcc_2005/Guidlines2005%20.pdf

FMFP Guidelines for DCS

SAMM C9.7.4

- Possible when approved by DSCA on case-by-case basis
- Normally not for standard items
- Contract over \$100K
- FMFP may not pay for “Offset Costs” or sales commissions
- USG contractor oversight--strict contractor certifications
 - http://www.dsca.mil/DSCA_memoranda/fmf_dcc_2005/05%20JAN%20CERT4.pdf

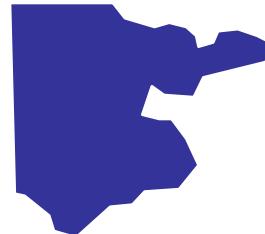
FMS or DCS

- **Most defense articles and services can be provided through either FMS or DCS**
- **Is one method the best for all procurement?**
 - **Relationships**
 - **Management**
 - **Financial**



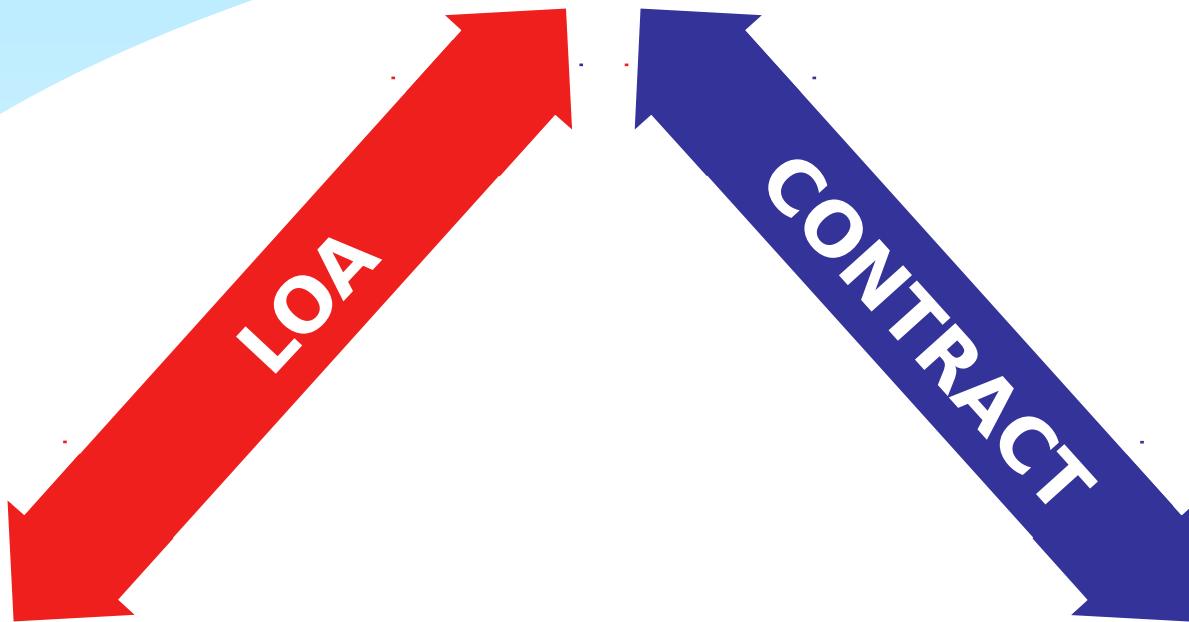
Relationships - **FMS**

- **Government-to-Government**
 - LOA between U.S. Government and purchaser
 - Procurement contract between U.S. Government and contractor
 - Direction from U.S. Government
 - Disputes resolved by U.S. Government
- **Report to Congress if sale meets §36(b), AECA**



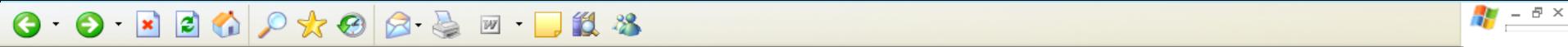
Relationships - FMS

United States Government



**Foreign
Government**

**United States
Contractor**



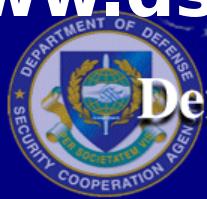
Wednesday, December 12, 2007

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36(b) Arms Sales Notifications

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CY 2007

NEW

► (WASHINGTON, December 10, 2007) DSCA notified Congress of a possible Foreign Military Sale to the United Kingdom of follow-on support for the Tomahawk Weapon System (TWS)

NEW

► (WASHINGTON, December 7, 2007) DSCA notified Congress of a possible Foreign Military Sale to Saudi Arabia of AN/AAQ-33 SNIPER Targeting Pods

NEW

► (WASHINGTON, December 7, 2007) DSCA notified Congress of a possible Foreign Military Sale to Saudi Arabia of mission equipment for AWACS aircraft

NEW

► (WASHINGTON, December 4, 2007) DSCA notified Congress of a possible Foreign Military Sale to Kuwait of PAC-3 missiles, PAC-2 missile upgrades to GEM-T, and PATRIOT ground support equipment upgrades

NEW

► (WASHINGTON, December 4, 2007) DSCA notified Congress of a possible Foreign Military Sale to the United Arab Emirates of the PATRIOT Advanced Capability-3 Missile System

NEW

► (WASHINGTON, December 4, 2007) DSCA notified Congress of a possible Foreign Military Sale to the United Arab Emirates of upgrades and

36(c) & (d) Commercial Arms Sales Notifications (by DoS)

► Commercial Arms Sales Notifications by DoS

36(b) Archive

► CY 2007

► CY 2006

► CY 2005

► CY 2004

► CY 2003

► CY 2002

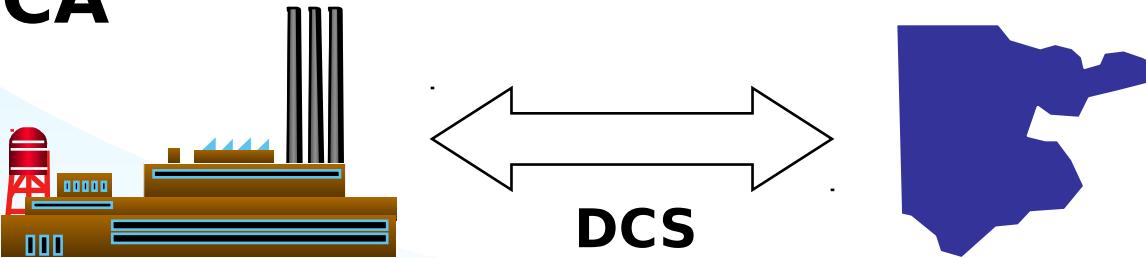
► CY 2001

FMS Major Arms Sales Notification Process

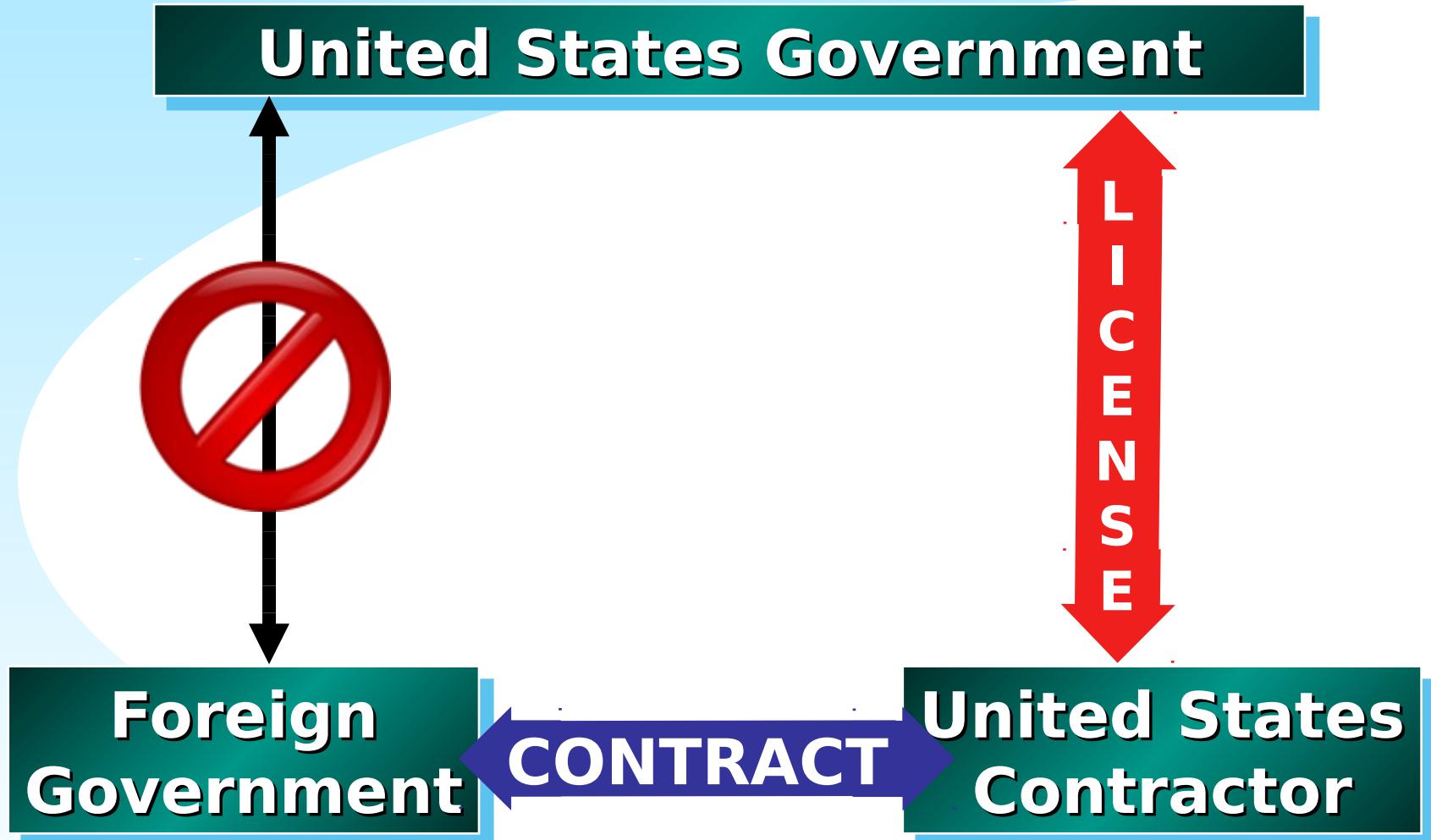
► FMS Major Arms Sales Notification Process Briefing (5/10)

Relationships - **DCS**

- **U.S. Government only involved in export license review**
- **Procurement contract between U.S. industry & foreign government**
 - Contractor directly interfaces with customer
 - No U.S. Government involvement
 - Disputes resolved by foreign government
- **Report to Congress if sale meets §36(c), AECA**



Relationships - DCS





Directorate of Defense Trade Controls

[Print-friendly version](#) [Elements of Defense Trade Controls](#)[Who We Are](#)[D-Trade](#)[Reference Library / Site Map](#)[Return to Home](#)

Defense Trade Controls - Applying for a License

Last Updated: October 18, 2006

On this page:

- ▶ [Licensing and Registration requirements](#)
- ▶ [D-Trade](#), fully electronic licensing - The preferred way to submit a license.
- ▶ [ELLIE](#) – Available only to submit a DSP-119.
- ▶ [Sign up for ELLIE](#).
- ▶ [Hardcopy version of the DSP-5, DSP-61, and DSP-73](#).
- ▶ [Order Form DSP-85 for official use](#).
- ▶ [Download Form DSP-83 for official use](#).
- ▶ [Download Form DSP-94 for official use](#).
- ▶ [Licensing Guidelines](#).



Licensing Requirement - Generally, any person or company who intends to export or to temporarily import a defense article must obtain the approval of DDTC prior to the export or temporary import. The appropriate license form must be submitted for the purpose of seeking approval.

Registration Requirement - In most cases, in order for a license to be considered, you first must be [registered](#) with DDTC.

<http://www.pmddtc.state.gov/licenses.htm>

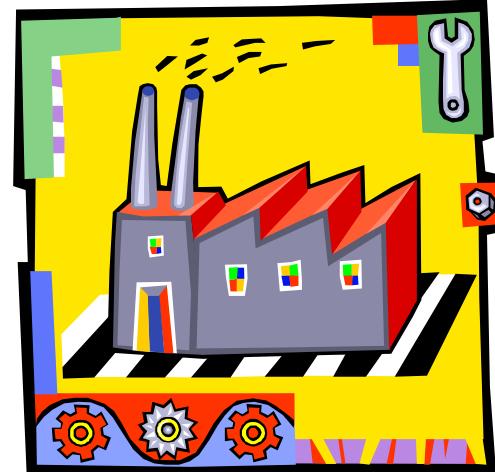
Management - FMS

- DoD Program management -
“Leave the driving to us”
- Experienced personnel
familiar with the equipment
- FMS charges for this
management service
 - Administrative surcharge
 - Contract administration services (CAS)
 - Non-recurring costs
 - Defined Services Lines



Management - DCS

- Foreign purchaser must assume this responsibility
 - Contract negotiation
 - Contract administration
 - Technical knowledge
 - Legal system
- What are the internal management costs? Will they exceed FMS the charges?
- Will there be additional benefits that outweigh additional costs?



Financial Issues - FMS

- LOA estimated prices - What will the actual cost be?
- Will LOA payment schedule match actual execution performance profile?
- When will the case be closed?
- USG consolidates purchases for better prices
- Prompt and reliable payments to contractor



Financial - DCS

- May represent more risk for seller
- Freedom from FAR & DFARS may reduce cost
- Less than economic quantity purchase
- Commercial banking procedures
- Prompt incremental and final billing
- Prompt contract closure



Range of Customer Involvement

- **Traditional FMS**
- **Sole Source FMS**
- **FMS with Offsets**
- **Combination FMS / DCS**
- **DCS with FMFP**
- **DCS with USG contract admin**
- **Traditional DCS**



What's the Best Choice?



FMS or DCS

Which is better?

